

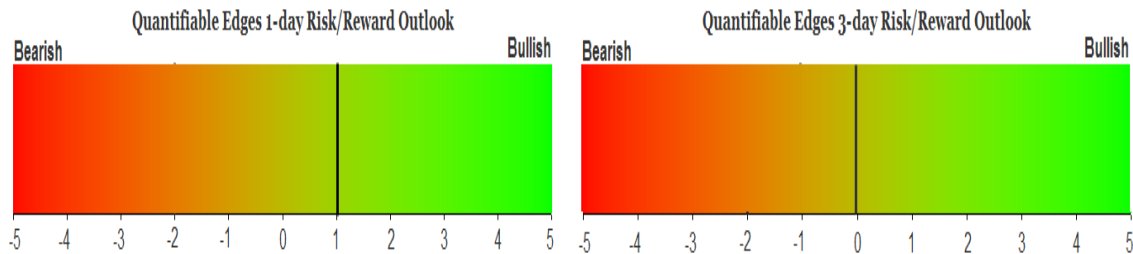
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

December 30, 2015

Volume 8 Issue 251

Market Overview



Signals Overview

Aggregator	Aggressive VIX	QE Buy Pwr Swing
Flat	50% Long	Short

Tonight's Research Points

- Big rally days between Christmas and New Year's have often seen follow-through.

Short-term Outlook

The Bottom Line

Evidence is bullish, but the market is still relatively overbought. This leaves me neutral.

Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
December 30, 2015	1% gain between Christmas & New Year	1-2 days	Bullish			
December 24, 2015	QE Buying Power Short	1-6 days	Bearish			
December 24, 2015	Up 2% frm 3 ago. 3/10 HV < 0.25	1-6 days	Bullish	1.95%	-1.20%	-2.50%
December 23, 2015	Twass 3 Nights Before Christmas	1-8 days	Bullish			
Active - Long Term						
December 24, 2015	Up 3 days. 90% up vol today	1-14 days	Bullish	3.40%	-2.15%	-3.80%
December 24, 2015	Up 2% frm 3 ago. 3/10 HV < 0.25	1-19 days	Bullish	4.50%	-1.80%	-3.60%
December 22, 2015	Golden Cross	int term	Bullish			
December 14, 2015	Santa Rally	thru Jan 2	Bullish			
November 2, 2015	Best 6 months	Nov-Apr	Bullish			
October 26, 2015	NASDAQ leading SPX	int term	Bullish			
September 9, 2015	FTD on mild breadth & volume	int term	Bearish			
November 3, 2014	Quantitative Easing Ends	int term	Bearish			
July 22, 2013	New High Divergence (Study of Tops)	int term	Bearish			
Dropped Tonight						
December 29, 2015	Turnaround Tuesday	1 day	Bullish			

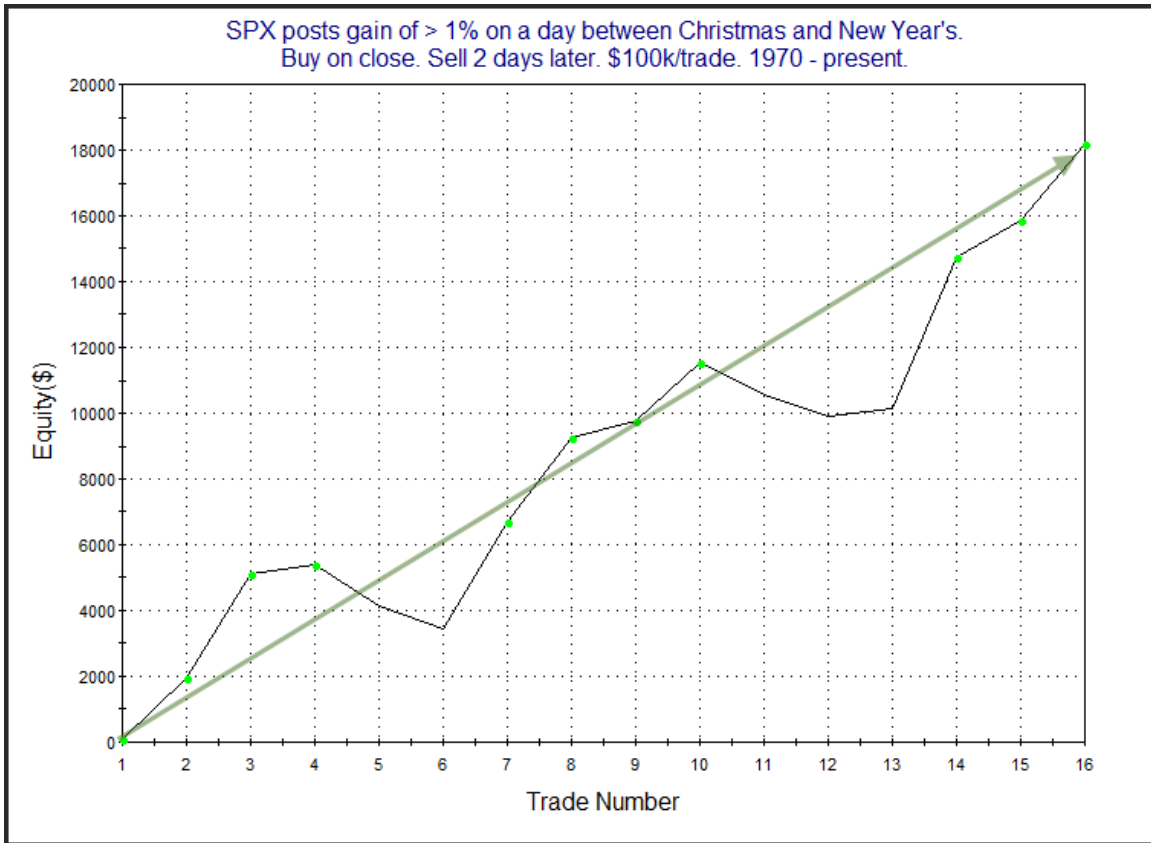
The Evidence

Tuesday saw the market advance nicely. The SPX rose 1.1%, the NASDAQ rallied 1.6% and the Russell 2000 gained 1.1%. Breadth was positive as the NYSE Up Issues % came in at 70% and the Up Volume % was 77%. Total NYSE volume was again very light and that is not likely to change until 2016.

The week between Christmas and New Year's is often a quiet one that is not prone to large-move days. So strong rallies like we saw on Tuesday are a bit unusual this time of year. I looked back to 1970 to see what has followed other times when SPX rose over 1% on a day between Christmas and New Year's. Results are below.

SPX posts gain of > 1% on a day between Christmas and New Year's. Buy on close. Sell X days later. \$100k/trade. 1970 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Avg Winning Trade	All: Max Winning Trade	All: Avg Losing Trade	All: Max Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	24,663.66	15	14	1	93.33	1,954.51	5,323.63	-2,699.52	-2,699.52	0.72	10.14	1,644.24
4	26,383.74	15	12	3	80.00	2,382.54	4,934.72	-735.57	-1,082.62	3.24	12.96	1,758.92
3	15,692.33	15	9	6	60.00	2,672.21	4,336.28	-1,392.93	-3,423.75	1.92	2.88	1,046.16
2	18,171.15	16	12	4	75.00	1,811.94	4,609.92	-893.04	-1,281.25	2.03	6.09	1,135.70
1	11,981.53	19	12	7	63.16	1,302.25	3,140.50	-520.78	-984.20	2.50	4.29	630.61

The stats here all point to a bullish edge. Most of the gains were realized in the first 2 days, but the edge does appear to persist through day 5. Below is a look at a 2-day profit curve.



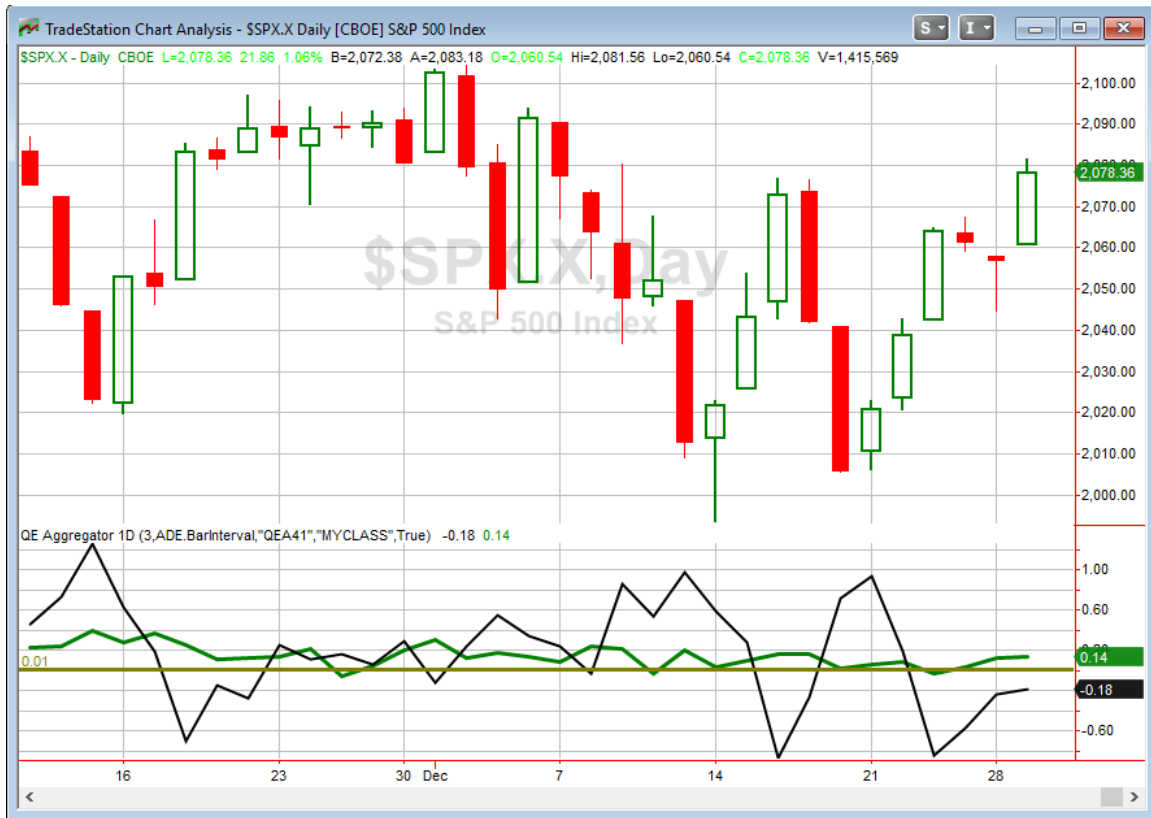
Nothing wrong with this. The strong, steady upslope seems to provide confirmation of the bullish edge suggested by the stats. I also looked at all the individual instances assuming a 5-day holding period.

SPX posts gain of > 1% on a day between Christmas and New Year's.
Buy on close. Sell 5 days later. \$100k/trade. 1970 - present.

Date/Time	Signal	Price	% Profit	Run-up Drawdown
12/29/1970	Buy	\$92.08	0.29%	\$999.12
1/6/1971	Sell	\$92.35		(\$1,563.84)
12/26/1973	Buy	\$95.74	4.24%	\$5,428.80
1/3/1974	Sell	\$99.80		\$0.00
12/31/1974	Buy	\$68.53	2.20%	\$5,412.89
1/8/1975	Sell	\$70.04		\$0.00
12/27/1976	Buy	\$106.06	0.89%	\$1,799.22
1/3/1977	Sell	\$107.00		(\$216.66)
12/26/1978	Buy	\$97.52	0.29%	\$1,035.25
1/3/1979	Sell	\$97.80		(\$2,357.50)
12/27/1982	Buy	\$142.17	-2.70%	\$674.88
1/3/1983	Sell	\$138.33		(\$3,128.35)
12/30/1987	Buy	\$247.86	5.33%	\$5,609.76
1/7/1988	Sell	\$261.07		(\$1,063.92)
12/26/1991	Buy	\$404.84	3.58%	\$3,692.65
1/3/1992	Sell	\$419.34		(\$61.75)
12/29/1997	Buy	\$953.37	1.39%	\$3,043.04
1/6/1998	Sell	\$966.58		(\$2.08)
12/29/1998	Buy	\$1,241.80	2.46%	\$2,456.00
1/6/1999	Sell	\$1,272.34		(\$1,816.00)
12/27/2000	Buy	\$1,328.92	0.33%	\$1,599.00
1/4/2001	Sell	\$1,333.29		(\$4,072.50)
12/29/2003	Buy	\$1,109.48	1.28%	\$1,348.20
1/6/2004	Sell	\$1,123.67		(\$396.00)
12/30/2008	Buy	\$890.64	1.80%	\$5,959.52
1/7/2009	Sell	\$906.65		(\$108.64)
12/29/2011	Buy	\$1,263.02	1.17%	\$1,706.40
1/6/2012	Sell	\$1,277.81		(\$439.24)
12/31/2012	Buy	\$1,426.19	2.17%	\$2,922.50
1/8/2013	Sell	\$1,457.15		\$0.00

Again here I do not see any red flags. I have included this study on the Active List tonight.

I have updated the [Aggregator](#) chart below.



With tonight's study being considered the green Aggregator Line moved a little further above zero. Positive readings mean net expectations from the Active List are for upside over the next few days. Meanwhile the black Differential Line remained below zero. The negative Differential Line reading means SPX is overbought versus recent expectations. So expectations are positive but SPX is short-term overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of 0. Therefore, the Aggregator signal stayed flat at the close.

Based on the current studies, evidence is set to remain positive on Wednesday. Of course this could change if new bearish evidence emerges. The Differential Pivot will be 2063.09 on Wednesday. That is 0.7% below Tuesday's close. So for SPX to move from overbought to oversold versus expectations on Wednesday it is going to need to close down at least 0.7%.

My outlook tonight is much the same as last night. Seasonality is strong, and the overall evidence continues to point higher. But with the market already overbought I do not love the reward/risk profile at the moment. This all leaves me with a fairly neutral short-term outlook. I will continue to wait for a more favorable reward/risk setup before looking to take on new trades.

Intermediate-term Outlook (2 weeks – 2 months) – updated 12/28 – bullish

The intermediate-term outlook was last updated in the 12/28/15 Letter. It can be found in the most recent weekly letter on the website.

<http://quantifiableedges.com/current-weekly-letter/>

Catapult and Capitulative Breadth Statistics

Catapult & CBI Presentation Link

Open Catapult Triggers

None

Broad Market Large Cap CBI – 0

Additional New Trade Ideas

A full listing of system triggers can be found at the [numbered systems page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.

None tonight.

Current Open Trade Ideas

None.

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